

FISCAL NOTE

HB 3086 - SB 3186

March 13, 2000

SUMMARY OF BILL: Requires every employer who pays monthly wages to provide health care coverage to employees through a prepaid group health care plan. Allows an employer to choose TennCare as a health insurance plan. The employee is not to contribute more than half of the premium unless the employee would contribute more than 1.5% of the employee's wages. The bill imposes a fine of \$1.00 per day per employee and \$250 per offense. Employers must also pay a surcharge of one-half of one percent on their taxable wage unless they provide health insurance. All fines and surcharges are to be deposited in the General Fund for use of the TennCare Program. The act is to be implemented by the Department of Employment Security.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures - Net Impact - \$284,222,00 Recurring
\$719,000 One-Time**

Estimate assumes:

- Most employers will choose to pay TennCare premiums as the lowest cost option.
- The Health Care Finance Administration will not approve a change in the TennCare waiver for those individuals who will become eligible under the bill as the result of employers choosing the TennCare Program as their insurance provider.
- Employer premiums will not cover average capitation costs without federal participation. The state will be liable for the difference with a total increase in expenditures to the TennCare Program of approximately \$345,948,000 with estimated premium income of \$63,600,000 for a net increase in state expenditures of approximately \$282,384,000.
- A need in the Department of Labor and Workforce Development for 37 additional employees and associated expenses to administer the system created by the bill. Costs include the development of a new computer system to survey approximately 111,000 employers and collect premiums from approximately 26,000 employers under the provisions of the bill. Total expenditures are estimated at \$1,838,000 recurring and \$719,000 one-time.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director

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